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SUBJECT: South African Sasol Targets Coal-to-Liquid Fuel Plant in the United States

¶1. (U) SUMMARY: South African Sasol is seriously considering investing in a coal-to-liquid (CTL) facility in the U.S., targeting Texas, Montana, Wyoming, Illinois, or North Dakota. This potential project would represent Africa's largest investment in the U.S. if realized. The issue of carbon emissions is an obstacle to investment. End Summary.

Sasol's Quest

¶2. (U) Mineral and Energy Officer and Specialist met August 29 with a business group representing Sasol North America and its advisor, the Livingston Group. Livingston is lobbying for investment and construction of a Sasol-type coal-to-liquid (CTL) fuel facility in the United States. The purpose of the meeting was to inform the Embassy of the status of CTL developments in the United States and to solicit potential future Embassy support and advocacy for these projects with both the SAG and the USG. If successful, the project could provide an alternative secure supply of petroleum fuels for the United States, independent of supply from "difficult" foreign sources.

Sasol's Leading Role

¶3. (U) Sasol is the global leader in the production of liquid fuels and chemicals from coal. Coal currently supplies some 23 percent of South Africa's liquid fuel needs. This figure could rise to about 36 percent if currently proposed expansions take place: incremental 20,000 barrels per day at Secunda and a new 80,000 barrels per day plant at a yet-to-be identified location. Sasol has agreed to build an additional facility in SA, reportedly in exchange for the SAG dropping a threatened "windfall" tax on recent high profits. Sasol's Fischer Tropsch technology, originally obtained from Germany, has been refined and improved over the past 60 years and is the leading technology in the gasification and reconstitution of coal into a variety of liquid fuels and chemicals. According to Sasol and Livingston reps, given the combination of declining global oil reserves, current refinery capacity constraints, the U.S.' dependence on supply from "difficult" sources, and the U.S.' significant resources of indigenous coal, CTL technology could provide a comfortable level of energy security in the medium to longer term. Sasol has an existing petrochemicals facility in Lake Charles, Louisiana.

¶4. (U) Comment: Sasol's global marketing strategy is to look for countries that have a large demand for energy, a shortage of petroleum, and an abundance of coal reserves. The most attractive

countries according to these criteria are China, India and the U.S.
End Comment.

15. (U) The Sasol and Livingston team stated that five states would be possible targets for the investment in converting coal resources into liquid fuel products: Texas, Montana, Wyoming, Illinois, or North Dakota. The Illinois deposits are attractive because of their proximity to markets, whereas the Montana and Wyoming deposits are attractive because of their high grades of coal. The potential CTL plant would require access to one billion tons of coal reserves, be designed to produce 80,000 barrels per day of crude equivalent, and would cost an estimated \$8 to \$10 billion. If Sasol were to build the plant, it would represent the largest-ever inward investment into the United States from Africa. Sasol and Livingston asserted that this would undoubtedly jump-start the CTL industry in the U.S.

Potential Show Stopper

16. (U) Sasol and Livingston probed potential business and government issues such as the SAG's possible attitude to outward investment in the United States, competition with China for the first overseas CTL plant, and environmental issues related to mining coal and to emissions of sulfur and nitrogen oxides, particulate matter, and carbon dioxide. It was agreed that carbon dioxide (greenhouse gas) was potentially a "show-stopper", particularly given that Sasol currently emits 70 million tons of carbon dioxide a year.

17. (U) COMMENT: Sasol's Secunda plant near Johannesburg is the largest operating CTL facility in the world and is also "the largest single point source of greenhouse gas emissions," according to a recent submission to the South African Cabinet by the Department of Environmental Affairs and Tourism. However, Sasol claims that the

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gas is concentrated at the plant and could relatively easily be captured and stored under ground in a suitable geological formation such as dolomite. It could also be used for enhanced oil extraction. Sasol is working on identifying suitable sites and is working with international partners on developing the technology required for carbon dioxide sequestration. In this way, Sasol could contribute to solving the global problem of carbon dioxide emissions, which would also benefit the acceptability of coal-fired power stations around the world.

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